



## County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

March 24, 2009

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### **SACRAMENTO UPDATE**

This memorandum includes information on the State Controller payments to the County, the Federal Stimulus Trigger hearing held by the State Treasurer and the Director of the Department of Finance, and a Senate Human Services Committee hearing on In-Home Supportive Services.

#### **State Controller Payment**

On March 19, 2009, the Treasurer and Tax Collector confirmed that the County received payment in the amount of \$9,394,716 from the State Controller for the State's portion of the CalWORKs Program, which was due on March 13, 2009. Based on the receipt of this payment and the three payments received on March 17, 2009 totaling \$23,942,274, as reported in our March 18, 2009 Sacramento Update, the State Controller has fully repaid the County for all the delayed payments resulting from the State Budget crisis.

#### **Federal Stimulus Trigger Hearing**

As reported in our February 24, 2009 Sacramento Update, the State Treasurer and the Director of Finance must determine by April 1, 2009 that \$10 billion, or more, of Federal Stimulus funds can be used to offset State General Fund expenditures by June 30, 2010, in order to restore an estimated \$947.7 million in existing program cuts and reduce the Personal Income Tax surcharge from 0.25 percent to 0.125 percent.

*"To Enrich Lives Through Effective And Caring Service"*

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On March 17, 2009, the State Treasurer and the Director of Finance held a statutorily required public hearing but no decisions were made and a second hearing is scheduled for March 27, 2009. At the outset of the hearing, the State Treasurer stated that they were not holding a policy committee hearing to rewrite the trigger statute, but rather to determine whether the State will achieve the \$10 billion to offset State General Fund costs. Both the State Treasurer and the Director of Finance expressed skepticism that the State will meet the \$10 billion threshold, but said they will make their final determination by the statutorily-required date of April 1, 2009. Some of the key issues discussed included:

**Federal Trigger Estimates:**

- As of March 16, 2009, the Department of Finance (DOF) estimates that the State will receive \$8.208 billion, which includes Federal Medical Assistance Percentage (FMAP) funds retroactive to October 1, 2008;
- The State Treasurer hired a consultant to analyze the State General Fund offsets but no estimate has been released; and
- Although the Legislative Analyst's Office (LAO) does not have a formal role in making the determination on the Federal Stimulus trigger, on March 10, 2009, the LAO released a report estimating that the State will receive \$7.961 billion, which includes FMAP funds retroactive to October 1, 2008.

**Potential Offsets Using a Different Approach or Assumption:**

While DOF and the LAO estimates indicate that the State will likely not receive sufficient funds to meet the trigger threshold, many organizations are actively advocating on what approach or assumptions should be used to determine whether the State will receive the \$10 billion to offset State General Fund costs.

According to a March 16, 2009 report released by the State Treasurer's consultant, there are two major elements which could be considered towards the \$10 billion trigger; however, these approaches are not defined in the State Budget Act. These elements include:

- Adding the final quarter of FFY 2010 FMAP funds to the trigger calculation. Under the Federal Stimulus Plan, the State will receive approximately \$950 million in potential State General Fund offsets for the period of July 1, 2010, through September 30, 2010. Neither DOF nor the LAO included the \$950 million in their calculations, as the State Budget Act identified the State

General Fund offset period to cover October 1, 2008 through June 30, 2010. The State Treasurer's consultant report indicates that the approach used by DOF and the LAO is reasonable. However, even if the \$950 million is considered in either the DOF (\$8.208 billion) or LAO (\$7.961 billion) estimate, it will not be enough to achieve the \$10 billion trigger threshold.

- Recognizing the impact of the reduction in State revenues on the Proposition 98 minimum guarantee and General Fund expenditures. Neither DOF nor the LAO included offsets in their estimates from reducing the Proposition 98 minimum funding guarantee as a result of diminished State revenues compared to the estimates included in the State Budget Act.

The State Treasurer's consultant report notes that in light of the State's deteriorating revenue outlook, the LAO has reported that the State can reduce General Fund spending by \$3.6 billion by "swapping" from its share of the Federal Educational Stabilization Fund. However, if the State recognizes the impact of the reduced revenues on Proposition 98 and applies the reduction in State General Fund expenditures as an offset, then DOF would need to change its application of State General Fund offsets included in its \$8.208 billion estimate. In addition, if these funds are not used to offset State General Fund expenditures, the funds will go to K-12 and higher education institutions. The consultant report notes that adding the DOF \$8.208 billion estimate and the potential \$3.6 billion offset would result in \$11.82 billion which would exceed the \$10 billion threshold.

**If the Trigger is pulled the following would occur:**

Program Restorations:

- SSI/SSP grant reductions - \$267.8 million
- CalWORKs grant reductions - \$146.9 million
- Safety Net Care Pool (SNCP) - \$54.1 million (**\$24.4 million County loss**)
- Medi-Cal optional benefits - \$129.4 million (**\$5.6 million County loss**)
- Cap State participation on In-Home Supportive Services (IHSS) wages to \$9.50 per hour - \$78 million
- Trial courts and new judges - \$171.3 million
- Higher Education funding - \$100 million

Personal Income Tax:

- Rate would drop from 0.25 percent to 0.125 percent.

Each Supervisor  
March 24, 2009  
Page 4

A spokesman from the Department of Health Services testified at the Federal Stimulus hearing in support of restoring funding for the Safety Net Care Pool and the South Los Angeles Preservation Fund and explained that the County loss of \$24.4 million would equate to 60,000 less outpatient visits annually. He also indicated that the loss of clinic visits would mean increased utilization of already overcrowded hospital emergency rooms. Other organizations testified urging the State Treasurer and the Director of Finance to reconsider the methodology used to determine the potential State General Fund offsets and to look into whether additional funds from the Federal Stimulus Plan could be used to meet the \$10 billion threshold.

### **Senate Human Services Committee Hearing – In-Home Supportive Services**

Today, the Senate Human Services Committee will conduct an informational hearing on the IHSS Quality Assurance Initiative. The Committee will hear testimony on the IHSS Program, caseload growth, quality assurance measures, and efforts to ensure program integrity. Philip Browning, Director of the Department of Public Social Services, the County Welfare Directors Association, the Legislative Analyst's Office, the California Departments of Social Services and Health Care Services, and representatives from labor are scheduled to testify.

We will continue to keep you advised.

WTF:GK:MAL  
MR:VE:sb

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
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